

Perspectives on KwaZulu-Natal

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'The government must be a strong enabler and supporter of business'

With a background in the labour movement, Mel Clark faces new challenges as the recently appointed head of KwaZulu-Natal's Department of Economic Development and Tourism. He spoke to **Cheryl Goodenough**.

What challenges does the Department Economic Development and Tourism currently face?

Globalization has forced government into playing a more active role in the economy. This is a different type of role to the one that government played previously. For the last few decades governments internationally have played a role particularly in regulation and control. In the current new era government has to play a facilitating and enabling role in order to support private sector development. The challenge we face is in becoming an agent of change in the local economy so that we are able to meet the demands of globalization. The government must be a strong enabler and supporter of business.

The department, in dealing with economic development, needs to understand the importance of this role as the facilitator of development. The department must be a hands-on broker of deals between the financiers and business.

As this change occurs we are developing a new type of animal that is different from the old concept. To get there we are going to have to use and transform agencies that are located in government. With regard to tourism in KwaZulu-Natal, the Tourism Authority is going to set up the partnerships. Small business and black empowerment will be supported using Ithala Finance and Development Corporation Limited. For investment and trade we have the new trade and investment agency for KwaZulu-Natal. It is the age-old principle of focusing on core competence rather than trying to be everything to everybody.

There is also a challenge in dealing with the inequalities in the economy. The government has a specific mandate to address these inequalities. Some are historical, while others are as a result of the way globalization and the economy operates.

This issue needs to be dealt with in each area of activity: small business development, rural economic development and the promotion of tourism and investment. We need to

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be proactive about engineering projects that bring in more black and women empowerment.

The development of small business requires access to finance. What has been the response from the financial institutions?

Access to finance is the biggest problem and we need to form new partnerships with financial institutions. We have to find innovative ways to overcome that obstacle. It is the biggest and the most complex problem.

Is this a provincial concern, as well as an area in which the national government structures are taking action?

We work very closely with the Department of Trade and Industry to find new mechanisms for supporting small business financially. Perhaps more progress has been made in developing support for small business in terms of skills development, giving advice and making information available. On the finance issue we are yet to succeed.

There has to be a consensus reached at a national level between the financial sector and government. However, there is also a local element. In many institutions, the decision as to whether to give a loan or not is made by local managers as a result of their assessment of applications. These are often based on weak business plans, which is a technical issue that we are trying to address.

The other issue is that of collateral security. We don't have immediate answers on that, but we haven't tried hard enough to be innovative. Perhaps there are models from elsewhere in the world that we can learn from.

What has been the response of the financial institutions to discussions on such issues?

There has been some openness to talk about the problem. We haven't got to a stage of discussion where the commitment to change and empowerment of the banking sector has been tested. However, I am confident that the local leadership of the banking sector will acknowledge the importance of small business as the engine to large-scale job creation. This in turn will bring about economic growth, which is desirable for the financial institutions.

What are your goals for the department?

I hope that over the next few years the department will become an agent for putting partnerships in place, rather than being a direct provider of finances for projects or business. In such public/private partnerships we are talking about private investors from all levels - from those with R1 000 to those with R1 billion. Communities also need to become co-owners and co-managers of projects. They must not be mere recipients. Other stakeholders from local government to the organised labour movement and non-government organisations also have a role to play in partnerships.

I want to develop expertise to remove the obstacles to development. Of these the biggest is the red tape - in place primarily still as a result of the old order - which stalls

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the process that determines how quickly a business can be set up. We need to remove that red tape.

Is this bureaucracy a major challenge primarily for small business initiatives?

It presents problems for small business and for big projects. We are constantly talking about big projects - there's been the port and the Point expansion. Three years down the line, concrete hasn't hit the ground. We need to do without the red tape and slowness of decision making, particularly in government.

What role do local government structures play in economic development?

We are strengthening our partnerships with municipalities in order to achieve a best practice model and to change the mindset of government. Previously applications would be received and the mindset would almost result in a situation where officials would find reasons why a project could or should be stopped. We need to move to a mindset where we can make the initiative happen.

What role do local government structures in small towns have?

Small towns have to implement strategies to boost their economies. A key tool is to become efficient and effective in dealing with investors. Part of our strategy is to be proactive and bring in fresh thinking for future economic activity so that new opportunities may be developed. In this regard, the department's actions won't be imposed in a top down approach. We are concerned again with developing partnerships with the relevant structures.

How significant is economic development in rural areas?

Government as a whole is implementing poverty alleviation strategies. The focus for the department is more strongly on identifying viable economic projects with a particular focus on agriculture and agri-processing. In this regard we will be strengthening our relationship with the Department of Agriculture and other relevant stakeholders.

We will also put our weight behind communities that are taking advantage of new opportunities in terms of economic development in rural areas. Our department wants to help to make opportunities known and assist communities to access finance. We are moving away from poverty alleviation to business creation. In these projects the systems of ownership must be friendly to community empowerment rather than only assisting individuals.

There are many barriers in regard to rural development. We are avoiding saying that we are going to uplift the rural economy because we need to set achievable goals.

However, there is so much that we can do in terms of agri-processing in KwaZulu-Natal for export. There are traditional remedies and organic vegetables, for example. The province has a great advantage because of the opportunities as a result of the climate and soil.

What tourism potential does KwaZulu-Natal have and are we exploiting that

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potential?

The broad consensus of international tour operators, which has been identified through research, is that KwaZulu-Natal has the best tourism assets in a small geographical area. We already retain the lion's share of the domestic market. The challenge now is to put ourselves on the international map and that can only be done by image marketing.

With regards to finances, we will be focussing on the two world heritage sites, St Lucia and the Drakensberg, and we will also pay attention to the South Coast within the next three to five years. We need to build these areas as international destinations.

There has already been some success in the strategy of negotiating for charters from Europe, in particular. We need to start to develop this trend. A series of Hungarian charters have taken place and others are being negotiated.

Another challenge we face is to change the local mindsets to be tourist friendly. We may be regarded as a friendly province, but we are not specifically tourist-friendly. Local communities and service providers, in particular around major tourism assets, need to understand the linkage between tourism creation and, what is known as people or community hospitality - that is, the warm welcoming and servicing of foreign tourists. There is a need to understand the impact of the reception that a tourist receives and to grasp the fact that for every eight tourists that visit the province one permanent job will be created.

We have a long road to travel, but it is particularly important for tourism strategies to be developed with community involvement. In St Lucia, for example, the community has a say in the tourism model. It is even better still for the strategy to include the development of a stake for the community. This will have a direct impact on the way in which communities respond to initiatives

What is the impact of crime on both economic development and tourism?

It is difficult to quantify, but it is a significant problem in terms of perceptions by local and foreign investors. Safety and security must be part of each and every economic development strategy in any locality. We are working in towns in the midlands area - Howick, Mooi River and Estcourt - and in every place we are talking about safety and security issues.

As a department we acknowledge that there is a direct relationship between unemployment and crime. We hope that by having more of an impact on unemployment we will address the crime situation.

What impact is HIV/Aids having on economic development in KwaZulu-Natal?

There is already evidence of the impact that Aids is having on the economy. Our approach, again, is one of partnerships with education institutions, the private sector, unions and non-governmental organisations. We need to find more effective ways of addressing the pandemic to make a bigger impact. We are very aware of the enormous threat that HIV/Aids imposes to whatever we are trying to do. However, finding a

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solution is difficult.

Is business doing enough with regard to HIV/Aids?

No. I have the sense that we are all increasingly aware of the problem and the risk to the viability of business. I think that most businesses are not sure what they can do that will make an impact. If there was a vaccine or a cure they would invest in that. Many of them invest in life style education. But we need to find more innovative ways to make an impact.

What is your background?

My background is in working in the labour movement with a particular focus on economic restructuring. I have negotiated strategies in particular for the clothing and textile sector to become a global competitor.

I was with the Clothing and Textile Workers Union for a number of years. Then I spent time in research at the University of Natal before working full-time for the KwaZulu-Natal Economic Council, first as programme manager and then as CEO.

Through this experience I have come to believe in the philosophy of partnership and I have increasingly come to realize that there is more in action than in written agreements or policy.

Cheryl Goodenough heads Profile KwaZulu-Natal cc.

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